

KINGDOM

KINGDOM TELEPHONE COMPANY

KINGDOM TECHNOLOGY SOLUTIONS

2021

**ANNUAL
REPORT**

NOTICE OF 2022 ANNUAL MEETING

Kingdom's Annual Meeting will be held virtually.

For more information please read this report and/or visit the link below.

The Annual Meeting of the Shareholders of Kingdom Telephone Company, a corporation with its principal office in Auxvasse, Missouri, will be live streamed via YouTube on March 12, 2022 beginning at 10:00 a.m. go to: www.kingdomtelco.com/Annual-Meeting to view live or see the recorded event.

10:00 a.m.

Meeting Called to Order and Introductions; Verification of Quorum

Adam Elley, President

Notice of Meeting and Proof of Publication

Bennie Young, Secretary

Verify electronic approval of the minutes of the 2021 Annual Meeting

Adam Elley, President

Verify electronic approval of the 2021 Financial Reports

Renée Reeter, General Manager

Election Results, Old & New Business

Brydon, Swearngen & England, General Counsel

Hatton Exchange: Bennie Young

Rhineland Exchange: Doug Lensing

At-Large Northern Exchanges: Scott Whalen

These shareholders have been nominated by the Committee on Nominations appointed by the Board of Directors pursuant to the bylaws. **No additional nominations can be made at the meeting.*

General Manager's Report

Renée Reeter, General Manager

Questions

Email to questions@kingdomtelco.com or call 386-2021 and leave your question in the voice mailbox. All questions received prior to the meeting will be addressed during the meeting. We will follow up with any questions not addressed during the meeting.

Prize Drawings

All members who vote electronically are eligible.

See inside back cover for details.

Adjourn

Adam Elley, President

BOARD OF DIRECTORS



OFFICERS (FRONT ROW, FROM LEFT TO RIGHT)

Jake Baumgartner, Vice-President, Auxvasse Exchange

Adam Elley, President, At-Large Southern Exchange

Bennie Young, Secretary-Treasurer, Hatton Exchange

BOARD MEMBERS (BACK ROW, FROM LEFT TO RIGHT)

Gene Eldringhoff, Big Spring Exchange

Scott Whalen, At-Large Northern Exchanges

David Horstman, Mokane Exchange

Eugene "Butch" Richards, Tebbetts Exchange

Jake Anderson, Williamsburg Exchange

Doug Lensing, Rhineland Exchange

REPORT: ADAM ELLEY, BOARD PRESIDENT

I became a Kingdom Director in March, 2018 when long time Board member Glen Horstmann retired. I became the Board President in March, 2021. I have learned over my somewhat short tenure that this business is extremely complicated. It is heavily regulated and many times requires our company to spend a lot of time and money on reporting requirements that have nothing to do with providing the best quality service we can provide. That being said, we take pride in the fact that we follow the rules and do so with the highest integrity possible.

When joining the Board, I found Kingdom Telephone Company's history quite interesting, so I thought I would share it with you this year. Phone services in the company area actually began in 1907, when Richard J Sullins started building the Mokane Independent Telephone Exchange. He sold it along with another company he owned in Sullivan County to the Citizens Public Service Company of Missouri sometime in the 1920-1930's. Old records indicate that this company was dissolved in 1938. In February 1910, a notice was posted in Auxvasse that was setting a meeting to discuss establishing a mutual switchboard in Auxvasse. Frank Holland was reported to have owned and operated the Auxvasse exchange. The switch board was open 24hrs a day, seven days a week.

We don't know much more until meetings began with people in Auxvasse and Mokane in 1954 to discuss forming a new company. The first Board of Directors elected for the new company were: R.C. Keown, L.F. Dickrader, M.A. Gibson, Herbert Dixon, Henry Schultz, Owen McCammon, W.D. McClellan, Fay Oliver, R.E. Mottaz, Theophilus Dunn, Leo Leopold, M.I. Reynolds, T.K. Stephens and Russell Laube. In January 1955, the new board voted to purchase the Auxvasse and Mokane Telephone Companies. They applied for a \$12,000 REA loan in November of 1955 presumably to buy the companies and created Kingdom Telephone Company.

Woodrow "Woody" Rice was hired as the first manager of the new company in January 1956. Kingdom was serving about 560 phones with a projected revenue of \$170,000. There was 158 miles of aerial plant to serve these phones. Although Woody would resign in February, 1961, the company went on to purchase the Big Spring, Rhineland, Williamsburg Telephone Companies and the American Telephone Company as well as the Stephens Mutual Telephone Company. In addition to Woody Rice, the Company had 14 employees, including the local switchboard operator.

Other managers serving through the years, include: Don Hendrix (1961-1965), Ken Tarrants (1965-1969), Art Gresham (1969-1984), Tom Blevins (1985 - 2007), Tom Young (2007-2015), and Renée Reeter (2015-present). During Art Gresham's reign, the company built what is believed to be the first fiber optic cable in the state to the Union Electric Nuclear Power Plant in Fulton. By 1988, Kingdom was serving 3,000 phones with 941 route miles of plant and 25 employees. As the company modernized equipment and plant, they had over 95% of the total plant buried in the 1980-1990's. In 2010 Kingdom started upgrading the copper to a fiber optic plant, starting with the Hatton exchange. Since that time all planned upgrades were completed by the first quarter 2021.

Company services began changing from plain old telephone service to Internet service beginning with dial up in the 1990's. DSL, in the early 2000's, but the latest and greatest came with fiber optic cable. Today, our telephone company has transitioned to more of a communications company, providing the newest technology that provides internet speeds up to 1 Gbps, which is about 18,000 times faster than dial up. We still offer that plain old telephone service that began our existence.

Looking back 20-30 years, things have changed beyond anyone's imagi-



REPORT: ADAM ELLEY, BOARD PRESIDENT, CONT.

nation. Won't it be interesting to see what will be in another 20-30 years? One thing will be certain, the Board of Kingdom Telephone has every confidence that our company will continue to give you the latest technology for decades to come and provide the best customer service to meet your needs. Until next time, I want to thank you for being a loyal member and tell you I am honored to serve as your Board President.

REPORT: RENÉE REETER, GENERAL MANAGER

2021 was a strong year for Kingdom as the financials inside this report will reflect. Our net income continues to be strong and 2021 reflects a year of record Universal Service (USF) receipts. Kingdom receives these funds which are based on a very extensive cost study that has to be filed each year to show how every dollar is expended. The cost studies are filed with the Universal Service Administration, which is the organization that determines each company's recovery dollars. In 2021, the receipts exceeded \$4 million dollars, which is directly related to the fiber upgrades accomplished during 2020. To give some perspective, in 2001, when not a lot of new construction was happening, USF receipts were \$1.42 million. In 2015, when I came to Kingdom, we had one crew working during the prior year, and our receipts were \$2.5 million. Since construction of our planned fiber upgrades were completed in the first quarter 2021, we will see these dollars begin to decline each year until such time they are terminated completely. As I have previously stated USF is scheduled to end December 2026. In the original order, the FCC also ruled there would be a competitive overlap study done in 2024. Because our network has been overbuilt by a competitor, we could see our funds end two years early.

Covid has changed our government's perspective as it relates to broadband internet services. When the country shut down and people were working from home and kids were doing virtual internet classes from home, it highlighted the absolute need for broadband. Congress is approving millions of dollars to be used to get broadband to every American. These dollars will be awarded in the form of grants to carriers who will apply and compete with other carriers to build certain areas lacking the services. Building broadband in rural areas is very costly and without grants or some type of support, carriers cannot justify the build as it won't support itself.

Kingdom as Phynx Fiber has been building outside our regulated area since December 2016, in an effort to replace the scheduled loss of USF. As of the end of 2021, we had replaced over 85% of our average gross USF receipts. We are replacing USF with new revenues that have operational costs associated, so our goal is to replace more than just 100% of average gross receipts. In the last twelve months alone, we have replaced nearly 30% so I am more than pleased with the progress we have made and will continue to make toward that end.

Phynx has completed planned construction in Moberly and Mexico. Montgomery City was completed at the end of 2021. Construction on the grant that Kingdom was awarded in 2021 will not begin until which time all the USDA filings are completed and approved. We hope this will be no later than spring, but I can only speculate. Although these town main line builds are complete – the end user signups are coming in daily.



REPORT: RENÉE REETER, GENERAL MANAGER, CONT.

Kingdom will again be applying for a grant in the USDA Reconnect 3 program. The application window opened just before Thanksgiving and will close on February 22 unless extended. It is unknown how long it will take to know if we are successful. The previous grant application window was anticipated to be about an eight month approval process, so hopefully we will know by fall 2022. If awarded, we hope that construction could start sometime in 2023. One thing that I have learned through these processes is that anything involving government programs involves a lot of paperwork and even more patience.

The last area I wish to cover is the Annual Meeting. In 2021, we did a virtual meeting that was streamed live but was also available for later viewing. The process went very well and will likely be the way our future meetings are done. At least the 2022 meeting will be virtual again. The information on how to view live or other is included in this annual report. Members can simply go to our website and click a link to access the meeting.

Also, in 2021 we implemented electronic voting. This decision was not due to Covid, but the fact that we were struggling to get a quorum at our meetings. Thank goodness we made that decision because we couldn't have held an election last year without it. Details for this are also in this report. Just like last year, voting credentials will be mailed to members in February as well as emailed to those members who have valid emails on file. Members can vote online or in person between February 20 and March 11.

I hope you join us on the live virtual meeting or at least watch it after the meeting. Until then, thank you for taking the time to read this report. As always, we are honored by the loyalty you give us and hope you stay healthy and safe.

MINUTES FROM OUR ANNUAL MEETING

The annual meeting of stockholders of Kingdom Telephone Company (hereinafter the “Company”), was held on March 13, 2021 at the Corporation’s offices in Auxvasse, Missouri.

At 1:00 p.m., Doug Lensing, President of the Company, announced that the meeting would be called to order and welcomed the stockholders to the 66th annual meeting of the Company.

Mr. Lensing stated that 592 of the Company’s 2,909 stockholders were represented at the meeting by electronic ballot. He thereupon declared a quorum present for conducting of the Company’s business. Mr. Lensing then read the notice of the meeting and proof of publication. The notice and proof of publication were ordered attached to these minutes.

General Manager Renee’ Reeter led the Pledge of Allegiance, followed by a prayer by Mr. Elley.

Mr. Lensing introduced the Board of Directors and Renee’ Reeter, General Manager of the Company.

Mr. Lensing announced that the 2020 Annual Meeting Minutes as reported in the 2020 Annual Report had been approved by a vote of 530-32. Mr. Lensing announced that the 2020 Financial Report as printed in the 2020 Annual Report had been approved by a vote of 532-27. Mr. Lensing then introduced the Company’s attorney, Brian McCartney.

Mr. McCartney announced that the meeting would turn to the review of the results of the annual election of directors. He stated that three (3) directors were to be elected at the meeting: one from the Mokane Exchange, one from Williamsburg Exchange, and one from the At-Large Southern Exchanges that include Tebbetts, Mokane, Rhineland, and Big Spring. He explained that this year, for the first time, voting was done electronically starting February 21, 2021 and ending March 12, 2021.

He reported that the Nominating Committee had met and nominated David Horstman from the Mokane Exchange; Jake Anderson and Craig Timmerberg, both from the Williamsburg Exchange; and Adam Elley and Teresa Farley, both from the At-Large Southern Exchanges. Mr. McCartney reported the following results from the election of directors as recorded and verified by Survey & Ballot Systems:

EXCHANGE	NOMINEE	VOTES
Mokane	David Horstman	429
Williamsburg Exchange	Jake Anderson Craig Timmerberg	413 285
At-Large Southern	Adam Elley Teresa Farley	252 232

MINUTES FROM OUR ANNUAL MEETING, CONT.

Mr. McCartney thereupon announced that David Horstman from the Mokane Exchange; Jake Anderson from the Williamsburg Exchange; and Adam Elley from the At-Large Southern Exchanges, having received the highest number of votes, had been elected directors of the Company for a term of three (3) years and until their successors are elected and qualified. The verified results of the election were ordered attached to these minutes.

Mr. McCartney called for old business, and there was none. Mr. McCartney stated that no new busines had been raised prior to the meeting as required by the bylaws.

Mrs. Reeter reported on the Company's operations during the past year, including new electronic voting process and increased participation by the shareholders. Mrs. Reeter reviewed the Company's financial performance, plans to replace Universal Service Fund support, and buildout by Phynx Fiber. She added that the winners of 100 \$20 bill credits will be posted on the Company's web site. No questions were submitted to the meeting.

Mr. Lensing then announced that Brian and Francis Gilmore from the Williamsburg Exchange are the Grand Prize Winners of one year of free Internet or telephone service. Thereafter, the meeting was adjourned.

BALANCE SHEET:

YEARS ENDED DECEMBER 31, 2021 AND 2020

	UNAUDITED 2021	AUDITED 2020
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 9,574,716	\$ 8,272,542
Telecom Accounts Receivable	5,868	31,471
Other Receivables	681,882	484,627
Materials & Supplies	528,517	601,273
Prepaid Expenses	681,533	647,651
	\$ 11,472,516	\$ 10,037,564
Other Assets & Investments		
Nonregulated Assets - Net	\$ 1,829,491	\$ 2,133,224
Other Investments	18,324,715	13,104,029
Deferred Tax Asset	-	-
Deferred Charges	29,704	-
	\$20,183,910	\$15,237,253
Property, Plant & Equipment		
In Service	\$ 45,971,260	\$ 46,458,446
Under Construction	172,724	1,212,327
Less Accumulated Depreciation	22,290,388	22,321,752
	\$ 23,853,596	\$ 25,349,021
Total Assets	\$ 55,510,022	\$ 50,623,838
LIABILITIES & MEMBERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 150,808	\$ 335,991
Customer Deposits	15,165	13,495
Accrued Expenses	(215,518)	(2,169,843)
Other Current Liabilities	11,867	40,788
	\$ (37,678)	\$ (1,779,569)
Long-Term Debt	-	-
Long-Term Liabilities & Deferred Credits	\$ 648,774	\$ 586,632
Members' Equity		
Memberships	\$ 29,200	\$ 29,450
Patronage Capital	54,140,498	51,341,714
Other Equity	729,228	445,611
	\$54,898,926	\$51,816,775
Total Liabilities & Member Equity	\$ 55,510,022	\$50,623,838

STATEMENT OF OPERATIONS:

YEARS ENDED DECEMBER 31, 2021 AND 2020

	UNAUDITED 2021	AUDITED 2020
Operating Revenues		
Local Network	\$ 691,567	\$ 667,691
Network Access	5,701,894	5,338,295
Miscellaneous	283,036	267,224
Uncollectables	1,020	(12,198)
	\$ 6,677,517	\$ 6,261,012
Operating Expenses		
Plant Specific	\$ 666,206	\$ 690,017
Plant Non-Specific	367,599	300,033
Customer	274,704	291,249
Corporate	867,491	826,353
Depreciation/Amortization	2,212,931	2,097,799
Operating Taxes	367,232	343,383
	\$ 4,756,163	\$ 4,548,834
Operating Margin	\$ 1,921,354	\$ 1,712,178
Other Income (Expense)		
Investment & Dividend Income	\$ 102,623	\$ 116,171
Net Nonregulated Income/(Loss)	1,581,341	2,197,169
Other Interest Expenses	0	0
Miscellaneous Income/(Loss)	(11,982)	11,098
Non-Operating Taxes	(177,000)	(176,954)
	\$ 1,494,982	\$ 2,147,484
Margin Available for Fixed Charges	\$ 3,416,336	\$ 3,859,662
Fixed Charges - Interest on Long-Term Debt	-	-
Net Margin	\$ 3,416,336	\$ 3,859,662

A complete copy of the Financial Statements audited by BKD, LLP
may be seen during regular office hours at:

Kingdom Telephone Company
211 South Main Street
Auxvasse, Missouri

PRIZES!

All members who voted electronically will be eligible for drawings.

One (1) year of Free Internet
valued at \$65 per month

OR

**One (1) year of
Telephone bill credit**
value at \$26.90 per month
(excluding taxes and fees)

We will also be drawing for:
**One hundred (100)
\$20 bill credits**



211 S. Main Street, P.O. Box 97
Auxvasse, MO 65231-0097

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A GUIDE TO VOTING

Who is a shareholder?

Only those named on your monthly billing or the label of the Annual Meeting Notice are recorded as shareholders. No other person is eligible to vote, or to win a prize from the Annual Meeting. If a shareholder wants to add a person to their share, they must contact our office at 386-2241 and complete the proper document. This must be done before February 20 if it is to be effective for the Annual Meeting.

How do I vote electronically?

All members will receive a unique login and will be able to cast vote via the internet beginning 8:00 a.m. on February 20, 2022 until 12:00 p.m. on Friday, March 11, 2022. The login information will be sent via mail from Survey & Ballot Systems on Kingdom letterhead. In addition, a reminder email will be sent to those members who have an email on file.

How do I vote if I do not have Internet service?

All members can come to the headquarters at 211 S Main, Auxvasse during business hours beginning February 20, 2022 through 12:00 p.m., Friday, March 11, 2022 to cast their electronic vote.